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FOR IMMEDIATE RELEASE

Date: 26 May 2008

Contact Person: Theodore Holder, Assistant Commissioner

ARKANSAS SECURITIES COMMISSIONER ISSUES CEASE AND DESIST ORDER STOPPING SALES OF CERTIFICATES OF DEPOSIT BY INSURANCE AGENTS

Arkansas Securities Commissioner A. Heath Abshure issued a cease and desist order on Friday, May 23, ordering **Timothy Alonza Lilly, David Larry Puckett, Joe A. Richards and First Fidelity Financial Group of Maumelle, LLC**, to stop making offers to sell bank-issued certificates of deposit (CDs), touting a higher than actual annual percentage yield. According to the order, First Fidelity ran newspaper advertisements for several weeks advertising CDs carrying an annual percentage yield of 4.75%. In order to make an annual percentage yield of 4.75%, First Fidelity promised to add additional principal to the CDs purchased by investors. The Arkansas Securities Department investigated First Fidelity, and discovered that in a number of cases, First Fidelity did not make promised deposits of additional principal. The Arkansas Securities Department also discovered two cases where deposits of additional principal were made, but in amounts insufficient to generate an annual yield of 4.75%.

In the Order Abshure finds that First Fidelity is offering unregistered securities, and that investors are assuming more risk than investors in a bank CD, specifically the risk that First Fidelity will not deposit additional principal and the risk that if additional principal is deposited, it will be insufficient to attain the 4.75% annual percentage yield promised. The respondents were ordered to cease and desist from all activities violative of the Arkansas Securities Act.

"This cease and desist order is part of the Senior Fraud Initiative that Commissioner Abshure announced in January," stated Assistant Commissioner Theodore Holder. "Sales of high yield CDs are often used as a method of drawing senior citizens into the offices of insurance agents in order to sell other products, most notably equity indexed annuities and variable annuities, often after liquidating more suitable investments such as mutual funds." Abshure and his staff have objections to the marketing of CDs in this way in and of itself, also, and this order spells out those objections. "Although this might seem like a trivial matter, it could have serious consequences, particularly for retired persons living on a fixed income. Our seniors should not be lured away from the solid, predictable returns they are getting from a bank or a mutual fund in search of a higher return that has to be contrived and is dependent on the actions of others who are not accountable for their actions. For that reason we felt it important to take action immediately," said Holder.

The public is advised that this is a continuing investigation. Should anyone have any further information about any of these respondents or any other matter, please call Mr. Holder at the direct dial number listed above or at the 1-800 hotline number printed below. Members of the media who need to contact Mr. Holder today, Memorial Day, May 26, when the offices of the Arkansas Securities Department are closed can call him at 772-9125.

Copies of the order can be obtained at the Arkansas Securities Department's website, listed below. Order No. S-08-043-08-CD01, *In the Matter of Timothy Alonza Lilly, et al.*